

PUBLIC DISCLOSURE

DECEMBER 8, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SOUTH ADAMS SAVINGS BANK

90140

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ADAMS, MA 01220**

**Division of Banks
One South Station
Boston, MA 02110**

**Federal Deposit Insurance Corporation
15 Braintree Hill Office Park
Braintree, MA 02184**

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| NOTE: | This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution. |
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **South Adams Savings Bank (or the "Bank")**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **December 8, 2008**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00 et seq. The FDIC rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING:

This institution is rated "Satisfactory"

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following summarizes the Bank's performance.

- South Adams Savings Bank's loan-to-deposit ratio is reasonable given the institution's size and assessment area credit needs.
- A majority of the Bank's loans and other lending related activities are in the institution's assessment area.
- The geographic distribution of the Bank's home loans and small business loans reflects a more than reasonable dispersion throughout the assessment area.
- The distribution of loans reflects a reasonable penetration among borrowers of different income levels (including low- and moderate-income) and an excellent penetration among businesses of different sizes.
- The Bank has not received any CRA-related complaints.

SCOPE OF THE EXAMINATION

Small Bank CRA evaluation procedures were used to assess the Bank's CRA performance. These procedures evaluated the Bank's CRA performance pursuant to the following criteria: loan-to-deposit (LTD) ratio, assessment area concentration, the geographic distribution of loans, the borrower's profile, and response to CRA complaints. The CRA evaluation considered activity since the Bank's prior FDIC CRA evaluation of November 13, 2003, through December 8, 2008. The applicable timeframes for the loan product line reviews are described in the paragraphs that follow.

South Adams Savings Bank is primarily a residential lender based on discussions with management and a review of the Bank's balance sheet. Consequently, residential loan data included in the CRA evaluation received the greatest weight in arriving at the rating. The CRA evaluation includes an analysis of the residential loan data for 2006, 2007, and the first nine months of 2008. Calendar year 2007 is focused on as this is the most recent year for which aggregate Home Mortgage Disclosure Act ("HMDA") lending data is available (aggregate lending data). The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders that originated loans in the Bank's assessment area. The residential loan data was obtained from the Loan Application Registers ("LAR"s) maintained by the Bank pursuant to HMDA. The LARs contain data about home purchase and home improvement loans, including re-financings, on one- to four-family and multifamily (five or more units) properties.

South Adams Savings Bank also originates commercial real estate and commercial and industrial business purpose loans; therefore, loan data from January 1, 2006, through December 31, 2007, was included in the CRA evaluation. Information concerning the small business lending was derived from a review of the Bank's commercial real estate and commercial and industrial loans originated during this time period. Small business loans for the purpose of this evaluation are commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the September 30, 2008 Report of Condition and Income (Call Reports).

DESCRIPTION OF INSTITUTION

South Adams Saving Bank is a mutual savings bank founded in 1869. In addition to the main office, the Bank currently operates three branch offices located in Cheshire, Lee and Williamstown. The Bank is headquartered in a moderate-income census tract while the Cheshire and Lee branches are located in middle-income census tracts and the Williamstown branch is located in an upper-income census tract. During the evaluation period, the Bank opened the Lee branch on October 22, 2007. All locations offer drive-up window services, walk-up ATM terminals, and a night drop box.

South Adams Savings Bank is a full-service financial institution that offers a wide variety of products and services. The Bank offers a variety of home financing programs for the purchase, refinance, or construction of residential property. The Bank offers commercial real estate loans, business loans, commercial construction loans, automobile loans, and personal loans. The Bank also offers checking accounts, savings accounts, money market accounts, Individual Retirement Accounts (IRA), certificates of deposit, Master Money Debit Cards, 24-hour bank by phone, business checking accounts, and business lending programs.

As of September 30, 2008, the Bank had \$197 million in total assets, of which \$152 million or 76.8 percent was in loans. As noted in Table 1, the Bank's loan portfolio is primarily residential real estate. Residential real estate loans, including revolving one-to-four family loans, one-to-four family residential loans, and multi-family residential loans equal 82.2 percent of the loan portfolio. Commercial real estate loans equal 9.3 percent and commercial and industrial loans equal 3.2 percent of the loan portfolio. The composition of the loan portfolio is detailed below:

| Table 1 | | |
|---|------------------------------|-------------------------------|
| Loan Distribution as of September 30, 2008 | | |
| Loan Type | Dollar Amount (000's) | Percent of Total Loans |
| Construction and Land Development | 2,855 | 1.9 |
| Revolving, open-end 1-4 Family Residential | 6,675 | 4.4 |
| 1-4 Family Residential (first and second lien) | 116,540 | 76.8 |
| Multi-Family (5 or more) Residential | 1,494 | 1.0 |
| Commercial Real Estate | 14,028 | 9.3 |
| Total Real Estate Loans | 141,592 | 93.4 |
| Commercial and Industrial | 4,827 | 3.2 |
| Consumer | 5,212 | 3.4 |
| Other Loans | 0 | 0 |
| Total Loans | 151,631 | 100.0 |

Source: Reports of Income and Condition

Prior Regulatory Evaluations

The FDIC last evaluated the Bank's CRA performance on November 13, 2003, and assigned a rating of "Satisfactory." The Division last evaluated the Bank as of December 6, 2004, and assigned a rating of "Satisfactory."

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to meet the community's credit needs remains strong.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. South Adams Savings Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

South Adams Savings Bank has defined its assessment area to include 17 cities and towns located throughout the Berkshire County in Massachusetts. The following cities and towns are the communities that comprise the assessment area: Adams, Cheshire, Clarksburg, Dalton, Florida, Hancock, Lanesboro, Lee, Lenox, New Ashford, North Adams, Peru, Pittsfield, Richmond, Savoy, Williamstown, and Windsor. All the cities and towns are located in the Pittsfield MSA.

Refer to Table 2 below for pertinent demographic information concerning the assessment area:

| Table 2 Assessment Area Demographic Information | | | | | |
|--|----------|------------------------------|---|--------------------------|-------------------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # |
| Geographies (Census Tracts) | 31 | 3.2 | 25.8 | 58.1 | 12.9 |
| Population by Geography | 109,387 | 3.4 | 20.6 | 60.1 | 15.9 |
| Owner-Occupied Housing by Geography | 29,666 | 0.8 | 15.2 | 67.0 | 17.0 |
| Farms by Geography | 178 | 2.2 | 10.7 | 62.4 | 24.7 |
| Business by Geography | 8,606 | 10.9 | 19.3 | 51.8 | 18.0 |
| Family Distribution by Income Level | 28,426 | 19.6 | 20.3 | 23.4 | 36.7 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 6,049 | 34.0 | 25.1 | 20.0 | 20.9 |
| Median Family Income HUD Adjusted Median Family Income for 2007 Households Below Poverty Level | | \$49,322 \$62,800 7.2% | Median Housing Value Unemployment Rate | \$115,086 5.5% | |

Source: PCI Corporation CRA Wiz, 2000 US Census

As the data in Table 2 shows, the area is comprised of 31 census tracts, of which 1 is low-income; 8 are moderate-income; 18 are middle-income; and 4 are upper-income. The low-income tract is located in Pittsfield. The moderate-income tracts are located in Adams, Pittsfield, and North Adams.

Table 2 shows that the majority of the assessment area's population and owner-occupied housing units are located in the middle-income census tracts. The next largest percentage of the population is located in the moderate-income census tracts, followed by owner-occupied units in the assessment area's upper-income census tracts. The area's business establishments are predominately located in the middle-income census tracts, with the next largest percentage located in the moderate-income census tracts.

Of the 50,768 housing units in the assessment area, 58.4 percent are owner-occupied, 31.3 percent are rental units, and 10.3 percent are vacant units.

The median housing value in 2000 for the assessment area was \$115,086. Recent figures from the Warren Group show that the area's median home prices in 2006 ranged from a low of \$80,000 in Savoy to \$481,250 in Williamstown. In 2007 the median price ranged from a low of \$71,600 in Clarksburg to a high of \$361,500 in Lee. As of September 30, 2008, the median price ranged from a low of \$50,000 in Peru to a high of \$461,500 in Lenox. After a large increase from 2006 to 2007, the average median sales price for housing dropped significantly in 2008. In 2006 the average median sales price for the assessment area was \$168,800; in 2007 the average median sales price was \$180,000; and as of October 1, 2008, the average median sales price for a home was \$169,450. Despite this recent price decline, home prices are still considered high and largely out-of-reach for many low- and moderate-income borrowers.

Numerous businesses operate throughout the assessment area, with the highest concentration being in the middle-income census tracts. According to the 2007 Business Geodemographic Data, the area has 8,606 businesses in operation, 60.4 percent of which are known to have gross annual revenues under \$1 million. The highest proportion of these business establishments are engaged in the retail trade industry. In terms of employees, approximately 53.4 percent of the area's businesses employ four or fewer people.

South Adams Savings Bank operates in a competitive market area in terms of financial services. The Bank competes for loan volume with many commercial banks, savings banks, credit unions, and mortgage lenders that operate in the area. Among the more prominent mortgage lenders competing with the Bank were Greylock Federal Credit Union, Legacy Banks, and Berkshire Bank. According to a 2007 market share report, South Adams Savings Bank captured 4.3 percent of this market and was ranked fourth out of 196 lenders.

Community Contact

A community contact was conducted with an organization that provides economic development and supports the civic and social welfare of Berkshire County. The contact specifically mentioned that a majority of local financial institutions contribute to the organization's efforts by making financing available, serving on its board, and assisting with fundraising activities. The contact stated that additional reinvestments need to be made in downtown areas to ensure economic growth.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. As indicated by Table 3, the Bank's LTD ratio is reasonable given the institution's size, financial resources, and assessment area credit needs.

The average LTD ratio of 85.7 percent was calculated using FDIC Call Report data for the 20 quarters since the previous FDIC CRA examination. Since the previous evaluation, the Bank's LTD ratio has increased from its lowest level of 74.9 percent on June 30, 2004, to its highest level of 98.5 percent as of September 30, 2008. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. While deposits have decreased by 0.9 percent, net loans have increased 26.8 percent during this time period. The resulting average LTD ratio was compared against the average LTD ratios of four similarly situated institutions.

| Table 3 | | |
|---------------------------------|--------------------------|--|
| Loan-to-Deposit Ratios | | |
| Institution | Average LTD Ratio | Assets as of September 30, 2008 |
| Adams Co-Operative Bank | 112.0% | \$202,092 |
| Lee Bank | 138.9% | \$295,388 |
| Pittsfield Cooperative Bank | 77.3% | \$236,761 |
| South Adams Savings Bank | 85.7% | \$197,354 |
| Williamstown Savings Bank | 82.5% | \$276,725 |

Source: Reports of Condition and Income

As shown in Table 3 on the previous page, the four other institutions' average quarterly LTD ratios ranged between 82.5 percent and 138.9 percent. At 85.7 percent, the Bank's average LTD ratio is higher than that reflected by two of the four similarly situated institutions.

Assessment Area Concentration

This performance criterion determines what percentage of the Bank's lending occurs within the assessment area and evaluates its appropriateness. Based on a review of the home loan and small business loan data, a majority of the Bank's lending activity occurs in the assessment area. Refer to Table 4 for the distribution of loans inside and outside the assessment area.

| Table 4 Distribution of Loans Inside and Outside of Assessment Area | | | | | | | | | | |
|--|--------------|-------------|-----------|-------------|------------|-----------------------|-------------|---------------|-------------|---------------|
| Loan Type | Number Loans | | | | | Dollar Volume (000's) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| 2006 | | | | | | | | | | |
| Home Purchase | 45 | 73.8 | 16 | 26.2 | 61 | 7,506 | 60.6 | 4,875 | 39.4 | 12,381 |
| Refinance | 65 | 89.0 | 8 | 11.0 | 73 | 6,038 | 83.6 | 1,182 | 16.4 | 7,220 |
| Home Improvement | 56 | 90.3 | 6 | 9.7 | 62 | 4,758 | 93.9 | 308 | 6.1 | 5,066 |
| Total | 166 | 84.7 | 30 | 15.3 | 196 | 18,302 | 74.2 | 6,365 | 25.8 | 24,667 |
| 2007 | | | | | | | | | | |
| Home Purchase | 40 | 70.2 | 17 | 29.8 | 57 | 7,213 | 61.1 | 4,585 | 38.9 | 11,798 |
| Refinance | 67 | 89.3 | 8 | 10.7 | 75 | 7,666 | 83.8 | 1,485 | 16.2 | 9,151 |
| Home Improvement | 74 | 85.1 | 13 | 14.9 | 87 | 7,141 | 76.6 | 2,184 | 23.4 | 9,325 |
| Total | 181 | 82.6 | 38 | 17.4 | 219 | 22,020 | 72.7 | 8,254 | 27.3 | 30,274 |
| Total Home Loans | 347 | 83.6 | 68 | 16.4 | 415 | 40,322 | 73.4 | 14,619 | 26.6 | 54,941 |
| Small Business 2006 | 20 | 100.0 | 0 | 0.0 | 20 | 3,588 | 100.00 | 0 | 0.0 | 3,588 |
| Small Business 2007 | 6 | 85.7 | 1 | 14.3 | 7 | 761 | 95.0 | 40 | 5.0 | 801 |
| Total Small Business | 26 | 96.3 | 1 | 3.7 | 27 | 4,349 | 99.1 | 40 | 0.9 | 4,389 |

Source: HMDA LAR and Internal Bank Files for 2006 and 2007

Home Loans

Table 4 shows that the Bank originated 347 home loans totaling \$40.3 million in the assessment area during the evaluation period. This represents 83.6 percent of the total number of home loans originated by the Bank and 73.4 percent by dollar volume. The percentage of home loans in the assessment area by number and dollar volume decreased slightly in 2007 compared to 2006.

Small Business Loans

An additional analysis of small business lending was conducted by reviewing the Bank's commercial real estate and commercial and industrial (small business) loans. This review consisted of a sample of 27 small business loan originations for 2006 and 2007.

As shown in Table 4, 26 of the 27 loans reviewed, or 96.3 percent, were originated in the assessment area. The Bank's sample of originated loans totaled nearly \$4.39 million, of which \$4.35 million, or 99.1 percent, were in the Bank's assessment area.

Geographic Distribution of Loans

The geographic distribution of loans was reviewed to assess how well the Bank is addressing the credit needs throughout the assessment area. The Bank achieved a more than reasonable dispersion of home loans and small business loans throughout its assessment area based on the area's demographics and/or a comparison to aggregate lending data. Refer to Table 5 and 6 for the distribution of home loans and small business loans among the census tract income categories.

Home Loans

Summarized in Table 5 is the distribution of home loans by census tract income and includes reference to demographic information for comparison purposes.

| Table 5 Distribution of Home Loans by Census Tract Income | | | | | | | | | |
|--|-----------|-----------------------|----------|--------|-------|------------------------------|----------|--------|-------|
| Loan Category | # of Bank | Percent of Bank Loans | | | | Percent of Aggregate Lending | | | |
| | Loans | Low | Moderate | Middle | Upper | Low | Moderate | Middle | Upper |
| Home Purchase | 40 | 0.0 | 32.5 | 55.0 | 12.5 | 2.5 | 18.5 | 62.0 | 17.0 |
| Refinance | 67 | 0.0 | 16.4 | 77.6 | 6.0 | 1.3 | 16.4 | 66.6 | 15.7 |
| Home Improvement | 74 | 0.0 | 20.3 | 67.6 | 12.1 | 1.4 | 14.6 | 69.2 | 14.8 |
| Total | 181 | 0.0 | 21.6 | 68.5 | 9.9 | 1.8 | 16.9 | 65.3 | 16.0 |
| Demographic Data | | | | | | | | | |
| Owner-Occupied Housing Units | 50,768 | 0.8 | 15.2 | 67.0 | 17.0 | | | | |

Source: HMDA LAR and HMDA aggregate data for 2007 and the 2000 U.S. Census Data

In 2007, the Bank did not originate any home loans within the assessment area's one low-income census tract in its assessment area. This is not unexpected given that only 0.8 percent of the owner-occupied housing units are located in the low-income census tract. Additionally, only 1.8 percent of the aggregate lender's home loans were originated in the low-income census tract. Furthermore, the low-income census tract is located in Pittsfield, where the nearest branch is more than 10 miles away in Cheshire.

During 2007, the Bank's lending in the moderate-income census tracts, at 21.6 percent, is higher than the aggregate lender's lending performance at 16.9 percent. By loan product, the Bank exceeds the aggregate in home purchase and home improvement loans and has the same percentage (16.4 percent) for refinances.

Small Business Loans

Summarized in Table 6 is the distribution of the small business loans from within the assessment area by census tract income. The table references demographic information for comparison purposes.

| Table 6 | | | | | |
|--|------------------|------------------------------|-----------------|---------------|--------------|
| Distribution of Small Business Loans by Census Tract Income | | | | | |
| Loan Category | # of Bank | Percent of Bank Loans | | | |
| | Loans | Low | Moderate | Middle | Upper |
| Small Business | 26 | 0.0 | 30.8 | 57.7 | 11.5 |
| Demographic Data | | | | | |
| Distribution of Businesses | 8,606 | 10.9 | 19.3 | 51.8 | 18.0 |

Source: Sample of 2006 and 2007 Small Business Loans and 2007 Business Geodemographic Data

The Bank's small business lending is very strong in the moderate-income census tracts. An analysis of the 26 small business loans reveals that the Bank originated 8 loans, or 30.8 percent, in the moderate-income census tracts.

The Bank has not originated any small business loans within the low-income census tract. This is not surprising considering that the nearest branch to the tract is ten miles away, making it inconvenient for the area's businesses to conduct transactions with South Adams Savings Bank. Furthermore, there are financial institutions that have offices within the low-income census tract, enabling these institutions the ability to better attract the tract's commercial customers.

Overall, the Bank's geographic distribution of lending is strong and is focused in the Bank's moderate-income census tracts.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of loans by borrower income and business revenue was reviewed to determine the extent to which the Bank is addressing the credit needs of the area's residents and small businesses. The Bank achieved a reasonable penetration of loans among borrowers of different income levels and businesses of different revenues based on the area's demographics and/or a comparison to aggregate lending data. Refer to Table 7 for information concerning the distribution of home loans by borrower income and Table 8 for distribution of small business loans by revenue.

Home Loans

The Bank achieved a reasonable penetration of home loans among borrowers of different incomes based on the area's demographics, a comparison to aggregate lending data, and a review of the Bank's 2007 market rank. Refer to Table 7 for the distribution of home loans by borrower income.

| Table 7 Distribution of Home Loans by Borrower Income | | | | | | | | | |
|--|-----------|-----------------------|----------|--------|-------|------------------------------|----------|--------|-------|
| Loan Category | # of Bank | Percent of Bank Loans | | | | Percent of Aggregate Lending | | | |
| | Loans | Low | Moderate | Middle | Upper | Low | Moderate | Middle | Upper |
| Home Purchase | 38 | 2.6 | 15.8 | 26.3 | 55.3 | 7.8 | 24.8 | 25.7 | 41.7 |
| Refinance | 66 | 7.6 | 16.7 | 30.3 | 45.4 | 10.7 | 24.8 | 28.6 | 35.9 |
| Home Improvement | 72 | 15.3 | 19.4 | 23.6 | 41.7 | 10.3 | 22.9 | 27.5 | 39.3 |
| Total | *176 | 9.7 | 17.6 | 26.7 | 46.0 | 9.5 | 24.4 | 27.3 | 38.8 |
| Demographic Data | | | | | | | | | |
| Families | 28,426 | 19.6 | 20.3 | 23.4 | 36.7 | | | | |

Source: HMDA LAR and HMDA aggregate data for 2007 and the 2000 Census Data

*Loans in Table 7 do not include those for which borrower income was not reported.

As shown in Table 7, the percentage of home loans originated by the Bank to low-income borrowers during 2007 (at 9.7 percent) is similar to the percentage of loans reflected in the aggregate data for the same income category and time period (at 9.5 percent). While the Bank's lending performance to low-income borrowers is below the percentage of low-income families in the assessment area (at 19.6 percent), the performance is still favorable considering the poverty level and housing costs in the assessment area. Meeting the residential mortgage needs of this population is very difficult due to their limited financial resources. Furthermore, the high cost of housing makes homeownership even more challenging for low-income families.

In 2007, the Bank's lending to moderate-income borrowers (at 17.6 percent) is lower than the percentage of lending to moderate-income borrowers (at 24.4) by the aggregate. This is primarily attributed to the significant competition that the Bank faces, including competition from several mortgage companies. These mortgage companies are better able to attract moderate-income borrowers by offering sub-prime loan products, which South Adams Savings Bank does not offer.

Small Business Loans

As shown in Table 8, the Bank has achieved an excellent penetration of small business loans among businesses of different sizes based on the area's demographics.

| Table 8 Distribution of Business Loans by Gross Annual Revenue | | | | | |
|---|------------|-------|-------------------|-------|-----------------------|
| Gross Annual Revenue | Bank Loans | | | | Businesses by Revenue |
| | # of Loans | % | \$ Amount (000's) | % | % |
| <=\$1,000 | 23 | 88.5 | \$2,831 | 65.1 | 59.3 |
| >\$1,000 | 3 | 11.5 | \$1,518 | 34.9 | 6.2 |
| Revenue not reported | | | | | 34.5 |
| Totals | 26 | 100.0 | \$4,349 | 100.0 | 100.0 |

Source: Bank loan sample 1/1/06 through 12/31/07, 2006 Business Geodemographic Data

South Adams Savings Bank originated 88.5 percent of its small business loans by number, and 65.1 percent by dollar volume, to businesses with gross annual revenues under \$1 million. The Bank's percentage of loans to businesses with gross annual revenues under \$1 million exceeds the number of such businesses in the assessment area, considering that there were a large number of businesses that did not report their revenues.

In addition, a total of 17 small business loans from within the assessment area, or 65.4 percent, were originated in amounts less than \$100,000. When the loan amount is used as a proxy for business size, the data indicates that the Bank is a valuable source of credit for the area's smaller businesses.

Response to CRA Complaints

The Bank has not received any CRA-related complaints during the evaluation period. As a result, this performance criterion is not applicable.

QUALIFIED INVESTMENTS AND SERVICES

Bank management requested that qualified investments and services be reviewed and considered. Performance with respect to qualified investments and services may be used to enhance an institution's overall rating of "Satisfactory," but cannot be used to lower a rating that otherwise would have been assigned. The Bank's various endeavors in these areas enhanced credit availability within the assessment area during the evaluation period and therefore further support the overall rating of Satisfactory. The following sections summarize the institution's performance under these two additional evaluation criteria.

Investments

A qualified investment for purposes of this CRA evaluation is a lawful investment, deposit, donation, or grant that has community development as its primary purpose. Generally, community development is defined as (1) providing affordable housing for low- and moderate-income individuals or areas; (2) providing community services targeting low- or moderate-income individuals or areas; (3) promoting economic development by financing small businesses; and (4) revitalizing or stabilizing low- or moderate-income geographies. Investment performance, with respect to small institutions, is evaluated based on the level and degree of responsiveness to community needs in making qualified investments that enhance credit availability in the assessment area, as well as the dollar amount of qualified investments (by type and location); the impact of those investments on the institution's assessment area; and the extent of innovativeness or complexity of the investments.

Qualified Donations

South Adams Savings Bank provided support to a variety of organizations through community development donations directly to local charitable organizations. During the evaluation period, the Bank donated \$51,683 that was qualified under the definition of community development. Benefiting organizations included, for example, Family Life Support Center, Northern Berkshire Community Action, the Salvation Army, Big Brothers/Big Sisters, Brien Center, and the Williamstown Community Chest.

Community Development Services

South Adams Savings Bank's community development services were evaluated pursuant to the extent of community development services offered and used, the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; the degree to which they serve low- and moderate-income areas or individuals; and their responsiveness to available opportunities for community development services.

Several members of the Bank's staff participate in community development activities and provide financial or technical expertise to community development organizations, which have resulted in a better educated community, increased awareness of community needs and contributed to the overall revitalization of the communities served. Detailed below is a sample of the community development services that the Bank personnel was involved in during the evaluation period.

- **Berkshire Taconic Community Foundation:** This Foundation builds stronger communities and improves the quality of life for all residents of Berkshire County. The Bank President is a Board Member and is on the Finance Committee.
- **Berkshire Housing Development Corporation (BHDC):** BHDC was established in 1972 as a non-profit organization by community and business leaders to address the shortage of affordable housing in Berkshire County. The Bank President is BHDC's Vice Chairman and a member on the Executive and Finance Committees.
- **Girls Inc.:** This nonprofit youth organization is dedicated to inspiring all girls to be strong, smart and bold. Girls Inc. provides educational programs to those in high-risk, undeserved areas to prepare them to lead successful, independent and fulfilling lives. The Bank's Senior Vice President/CFO/Treasurer is an Advisory Board Member.
- **Berkshire Health Systems (BHS):** A private, non-profit organization whose mission is to improve the health of the people of Berkshire County and surrounding communities, regardless of their ability to pay. The Bank's Senior Vice President/CIO is on the Corporate Board.
- **Berkshire Place:** This private, non-profit organization's mission is to better serve the senior healthcare needs of the community and is governed by a volunteer board of directors, which consist of local business leaders and health care professionals. The Bank's Vice President/CFO/Treasurer is an Investment Committee Member.

Educational Seminars

- In 2005 the Bank presented the FDIC Money Smart Program to the Hoosac Valley High School. Money Smart is a training program to help individuals enhance their money skills and create positive banking relationships. This program helps individuals build financial knowledge, develop financial confidence and use banking services effectively. Topics included: an introduction to bank services, an introduction to credit, how your credit history affects your future, how to choose and keep a checking account, and how to keep track of your money.
- In 2006 the Bank sponsored a First Time Homebuyers Seminar. Topics included: fixed rate versus adjustable rates, closing costs, choosing a term, private mortgage insurance, and "What is the Lender Looking For".

- In 2007 the Bank sponsored a free fraud forum presented by the Boston Secret Service. Topic: how to protect yourself from counterfeit offers, lottery scams, and identity theft.
- During the evaluation period the Bank sponsored four Junior Achievement Seminars. This organization is dedicated to educating students about workforce readiness, entrepreneurship and financial literacy through experiential, hands-on programs.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A

Fair Lending Policies and Procedures

The Bank has a written Fair Lending Policy. It is the policy of the Bank to make its credit products available to all qualified applicants.

Fair lending training is given to all employees, as well as the Board of Directors.

South Adams Savings Bank has a written CRA Policy. The Bank recognizes its responsibility to establish and implement policies and procedures to achieve compliance with CRA requirements and to serve the credit needs of all members of the community, including the needs of the low- and moderate-income areas consistent with safe and sound operations.

The Bank has a second review process in place. A loan officer reviews all loans that are recommended for denial and a second opinion is made by another loan officer. The second review is in place to ensure that the loan officer making the lending decision has reviewed the complete file and has made an accurate decision.

The Bank has three employees who are bilingual. Languages spoken are Spanish, Polish and French.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

MINORITY APPLICATION FLOW

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 109,387 individuals of which 6.3 percent are minorities. The assessment areas minority and ethnic population is 2.1 percent Black/African American, 1.0 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 1.8 percent Hispanic or Latino and 1.3 percent other.

For 2006 and 2007, the Bank received 443 HMDA reportable loan applications from within its assessment area. Of these applications, 8 or 1.8 percent were received from minority applicants, of which 6 or 75.0 percent resulted in originations. The Bank also received 2 applications from ethnic groups of Hispanic origin within its assessment area of which both were originated.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2007. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the table on the following page for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

| MINORITY APPLICATION FLOW | | | | | | |
|---------------------------------------|------------|--------------|---------------------|--------------|------------|--------------|
| RACE | Bank 2006 | | 2007 Aggregate Data | | Bank 2007 | |
| | # | % | # | % | # | % |
| <i>American Indian/ Alaska Native</i> | 1 | 0.5 | 17 | 0.3 | 1 | 0.4 |
| <i>Asian</i> | 2 | 0.9 | 45 | 0.7 | 1 | 0.4 |
| <i>Black/ African American</i> | 0 | 0.0 | 97 | 1.4 | 0 | 0.0 |
| <i>Hawaiian/Pac Isl.</i> | 0 | 0.0 | 5 | 0.1 | 0 | 0.0 |
| <i>2 or more Minority</i> | 0 | 0.0 | 8 | 0.1 | 0 | 0.0 |
| <i>Joint Race (White/Minority)</i> | 0 | 0.0 | 61 | 0.9 | 3 | 1.4 |
| Total Minority | 3 | 1.4 | 233 | 3.5 | 5 | 2.2 |
| <i>White</i> | 196 | 92.5 | 5,219 | 77.2 | 216 | 93.5 |
| <i>Race Not Available</i> | 13 | 6.1 | 1,306 | 19.3 | 10 | 4.3 |
| Total | 212 | 100.0 | 6,758 | 100.0 | 231 | 100.0 |
| ETHNICITY | | | | | | |
| <i>Hispanic or Latino</i> | 1 | 0.5 | 102 | 1.5 | 0 | 0.0 |
| <i>Not Hispanic or Latino</i> | 196 | 92.5 | 5,301 | 78.4 | 218 | 94.4 |
| <i>Joint (Hisp/Lat /Not Hisp/Lat)</i> | 1 | 0.5 | 53 | 0.8 | 0 | 0.0 |
| <i>Ethnicity Not Available</i> | 14 | 6.5 | 1,302 | 19.3 | 13 | 5.6 |
| Total | 212 | 100.0 | 6,758 | 100.0 | 231 | 100.0 |

Source: CRA Wiz, 2000 U.S. Census Data

The Bank's performance was below the 2007 aggregate's performance level for both minority and ethnicity. The Bank received 2.2 percent for minorities while the aggregate was higher at 3.5 percent. The percentage of Hispanic applications was 0.0 percent while the aggregate was 1.5 percent.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is deemed to be adequate.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 2 Center Street, Adams, MA 01220."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.